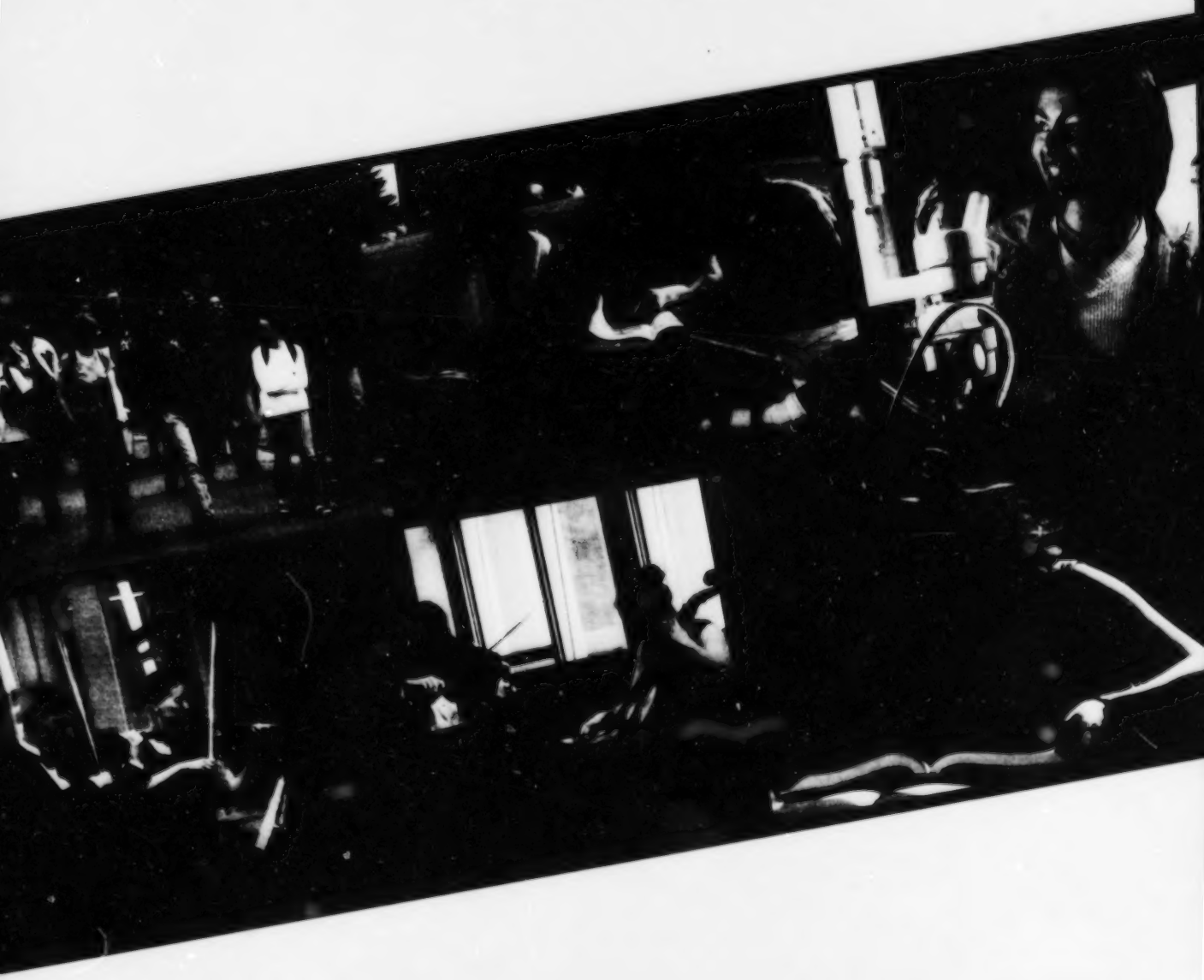
Universities Academic Pension Plan

1999 Annual Report



UAPP

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Italicized pension and investment terms are defined in the Glossary.

Universities Academic Pension Plan

A Profile

- The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education.
- The UAPP has 4,527 *active members*, 446 *deferred members* and 2,242 pensioners.
- The UAPP Fund was valued at $1.75 billion at the end of 1999.
- The UAP Board oversees the management of the Plan. The Fund's investments are managed by the Investment Management Division of Alberta Treasury and the Plan is administered by Alberta Pensions Administration Corporation.

Cover pictures courtesy of: (clockwise from top left) University of Alberta, University of Calgary, The University of Lethbridge, The Banff Centre for Continuing Education and Athabasca University.

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Message from the Chair

I am pleased to report that the financial position of the Universities Academic Pension Plan (UAPP) improved significantly in 1999. A volatile year in the markets ended on a very positive note with the UAPP Fund returning 15.7%. This is well ahead of the *policy benchmark* return of 13.4% and a return of 7.5% in the previous year. The 1999 rate of return was more than twice the 7.25% rate assumed in the last actuarial valuation. A modest 2.4% increase in the Alberta *Consumer Price Index (CPI)* was further good news for the Plan and its members.

At year end, the UAPP Fund totalled $1.75 billion. In 1999, the investment return was about $125 million more than the actuarially assumed return. The market value of the Fund's assets was only $21 million less than the value of the Plan's liabilities. On this basis, the Plan is 99% funded, up from 91% a year ago. However, to dampen the impact of market volatility on contribution rates, we "smooth" assets over three years to determine the actuarial value of the assets. The difference between the market and the actuarial value forms the asset fluctuation reserve. This reserve was valued at $88 million at the end of 1999. After deducting the value of this reserve from the market value of the Fund, the Plan is 94% funded compared to 90% at the end of 1998.

The results to date show that the Plan's *unfunded liability* continues to go down at a much faster rate than assumed in 1992 when the new funding regime took effect. If the capital markets stay strong and the current pace of improvement is maintained, we can expect the Plan to be fully funded well before the original target date. A strong financial position is important because it secures benefits, protects contribution rates from sudden increases, and provides flexibility to deal with emerging issues.

In this report, the actuarial liabilities as of December 31, 1999 have been estimated by extrapolating the results of the December 31, 1998 valuation. The next full valuation of the Plan is not required until December 31, 2001.

In 1999, the Board placed a major emphasis on strengthening the UAPP's governance and the Board's role as overseer of the Plan. The Board started this initiative by holding a workshop on plan governance in February and by establishing a governance committee to deal with the issues identified at the workshop. I am pleased to report that, as a result, the Board has set up three standing committees: an Investment Committee, an Administration Committee, and an Audit Committee. These committees will help the Board in carrying out its stewardship and due diligence roles in respect of the Plan.

The Board also identified a need

Keith Winter, Chair

for an Executive Director of the UAPP with a mandate to advise on policy issues, develop strategies, assist in implementing Board decisions, monitor and assess the performance of service providers, and manage and report on Plan operations. The Executive Director will also maintain effective liaison between the Board, plan sponsors, and other stakeholders. I am very pleased to welcome Virendra Gupta to this important position effective February 1, 2000.

In October, the Board approved a comprehensive *Statement of Investment Policies and Goals* for the UAPP Fund. The statement sets the guidelines that the Investment Management Division (IMD) of Alberta Treasury is required to follow in investing the UAPP Fund. It also includes *benchmarks* that are to be used in assessing the investment performance of the Fund.

The Board also addressed a number of Plan amendments that were required to bring the Plan into compliance with federal tax

legislation. These planned changes include expanding the definition of service, incorporating member life insurance in prior service installment payments, and resolving issues associated with re-employment after retirement.

To gain insight into recent innovations in pension design and their relevance to the UAPP, we commissioned William M. Mercer Ltd. to conduct a Pension Design Review. A comprehensive report, including descriptions of various types of pension plans, their advantages and disadvantages, and tables comparing the UAPP with some sample university plans, was submitted to Plan Sponsors at an information seminar in October.

In May, the UAPP Web site www.uapp.apaco.ab.ca was launched. Intended for use by employers, Plan members and pensioners, the site contains annual and quarterly reports, fund valuation details, links to stakeholder sites, and other references such as the Pension Design Review. The Web site will be further developed to meet the information needs of the Plan's clients.

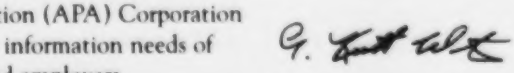
The Transition Committee, set up by the Boards of Governors and Faculty Associations of the institutions continue to work on moving the governance of the UAPP from the jurisdiction of the Public Sector Pension Plans Act to the Employment Pension Plans Act. The Boards of Governors and the faculty associations jointly forwarded a letter in November, 1999 to the Provincial Treasurer requesting that the UAPP be allowed to continue its current funding arrangements under the Employment Pension Plans Act. We understand this request is currently under active discussions with the government.

Over the next year, the Board will give priority to establishing a communications policy in consultations with stakeholder groups and Alberta Pensions Administration (APA) Corporation to meet the information needs of members and employers.

On behalf of the UAPP, I would like to express our appreciation to Jeremiah Allen and Gary Frey who left the Board at the end of 1999. Dr. Allen served on this Board for six years and the predecessor Board for two and a half years. Mr. Frey served on this Board for two years. We welcome Daniel Furgason of the University of Lethbridge Faculty Association and Allan Pedden of The Banff Centre to the Board as new members.

The Board thanks APA and IMD staff for their support and assistance in implementing Board initiatives and in meeting the needs of Plan members and other stakeholders.

Finally, I would like to thank my colleagues on the Board for their unfailing cooperation and support during my term as Chair. I am pleased to welcome back Ron Bercov as my successor. Dr. Bercov's extensive experience and knowledge will ensure continuity and strong leadership for the Board in the next two years.



G. Keith Winter
Chair
Universities Academic
Pension Board

Universities Academic Pension Board

Board Structure

The Universities Academic Pension Board oversees the management of the Plan. The Board has nine members, including four employer nominees, four employee nominees and one crown nominee. Provincial legislation requires that the offices of Chair and Vice-Chair alternate every two years between employer and employee nominees.

Board Responsibilities

The Board is responsible for:

- setting general policy guidelines for the investment and management of the Plan's assets;
- setting general policy guidelines for the administration of the Plan;
- setting contribution rates to fully fund past and present service;
- recommending changes in benefits and other provisions; and
- reviewing administration's decisions and ensuring the Plan is effectively administered.

Standing: Mary Hamilton, Ted Horbulyk, Gary Frey, Ron Bercov (Vice-Chair)
Sitting: Jeremiah Allen, Glenn Harris, Keith Winter (Chair), Virendra Gupta, Auke Elzinga

1999 Board Members

Employer Nominees

Keith Winter (Chair)
University of Calgary

Auke Elzinga
The University of Lethbridge

Gary Frey
Athabasca University and
The Banff Centre

Glenn Harris
University of Alberta

Employee Nominees

Ron Bercov (Vice-Chair)
University of Alberta

Jeremiah Allen
The University of Lethbridge

Mary Hamilton
Athabasca University and
The Banff Centre

Ted Horbulyk
University of Calgary

Crown Nominee

Virendra Gupta
Government of Alberta

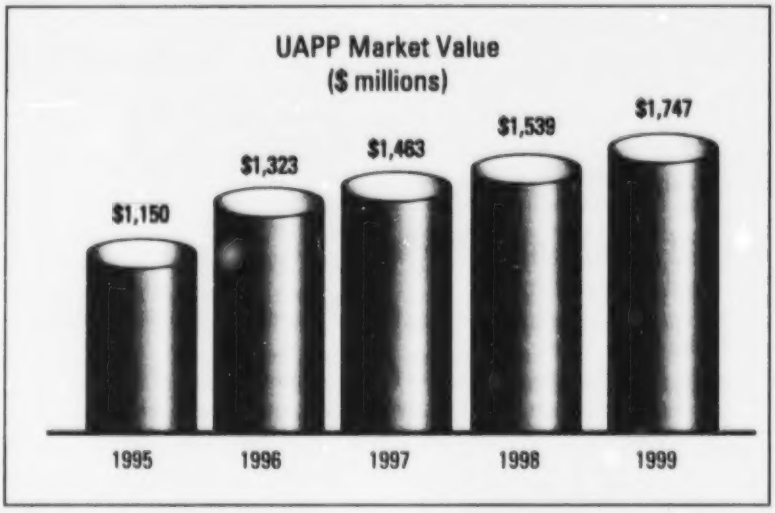
Investment Report

The Year in Review

Capital markets demonstrated a wide range of returns. Fueled by stronger worldwide economic growth, *equity* markets substantially out-performed fixed income markets.

Although the U.S. market as measured by the *Standard and Poor's 500* (S&P 500) *Index* showed a 14.2% return for 1999, it lost its world performance leadership role as the Canadian and foreign equity markets showed more impressive results. *Emerging Markets* returned 57.2%, followed by the Pacific Basin which returned 48.9%, and Canada with a return of 31.7%. However, over a four-year period, the U.S. market still shows historically high returns.

Faced with inflationary concerns and tightening central bank policies, fixed income markets significantly under-performed equity markets. Canadian *T-Bills* delivered a 4.7% return while Canadian *bonds* (as measured by the *Scotia Capital Markets Universe Bond Index*) returned a negative 1.1%.



UAPP Earns a 15.7% Return

The Universities Academic Pension Plan (UAPP) Fund earned a 15.7% return on investments in 1999, while the four-year return was 12.9%. These returns are above the Plan's 7.25 % funding requirement and substantially exceed the rate of inflation. Investment results continue to contribute to improvement in the Plan's funded status. On a one-year basis, the Plan exceeded the performance of both the *policy benchmark* (13.4%) and the *SEI Median Manager* which only returned 11.3%. On a four-year basis, the Fund returned 12.9% versus 13.5% for the SEI Median. At year-end the Fund amounted to $1.75 billion.

The Board's policy mix changed in 1998, and was largely implemented by the beginning of 1999. Real estate exposure was eliminated at the beginning of 1999, with the proceeds re-allocated to international equity. The exposure to Emerging Markets will be increased to the policy weight by 2001. By the end of 1999, strong relative performance by equity markets took the Plan off-side of its asset allocation guidelines, leading to a rebalancing.

The Plan out-performed its policy benchmark by 2.3%, with significant value added through *active management* in the Pacific Basin, where the regional managers did more than twice as well as their benchmarks. Further, the decision to be under-weight in the U.S. market was more than offset by the Plan's over-weight in the Pacific Basin. Finally, strength in the Canadian dollar reversed much of the negative currency impact experienced in 1998 from the fully hedged equity *swaps* used to manage the Fund's foreign exposure in excess of the 20% limitation.

The Canadian equity component of the Fund performed below the benchmark. This was attributable to *external managers*. The Investment Management Division's (IMD) internally managed component performed well, exceeding the *Toronto Stock Exchange 300* (TSE 300) *Index* by 1.5%. The under-performance by external managers resulted from the narrowness of the Canadian market, as most of the market's

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Investment Report

Asset Mix (% of Market Value)
as at December 31, 1999

	Policy Range Min. - Max.	Current Asset Policy Mix	Actual Asset Mix 1999	1998
Fixed Income				
Cash & Short-term	0 - 5	2	[redacted]	1.3
Long Duration Bonds	25 - 31	28	[redacted]	28.9
Real Rate of Return Bonds	7 - 13	10	[redacted]	9.9
Total	37 - 43	40	[redacted]	40.1
Equity				
Canadian Equity	26 - 34	30	[redacted]	30.3
Foreign Equity				
U.S.	9 - 15	12	[redacted]	12.7
International	12 - 18	15	[redacted]	14.2
Emerging Markets	2 - 4	3	[redacted]	0.4
Real Estate	0	0	[redacted]	2.3
Total	57 - 63	60	[redacted]	59.9

return came from a few *Large Cap* companies, particularly Nortel Networks and its parent company BCE Inc. Our external managers with mandates to invest in medium to large companies were generally under-weighted in both Nortel and BCE Inc. With small capitalization stocks out of favour, the external managers with these mandates also failed to reach their benchmarks.

Outlook

The current investment outlook remains positive although risks are evident. The U.S. economy is heading into its tenth year of growth amid concerns regarding inflation. This has already impacted the fixed income market and will continue to impact markets during the year. Countering the rise in interest rates, however, are expectations for continued growth in world economies and corporate earnings. This growth, along with strong government fiscal positions and subdued inflation in most economies, can prolong the expansion. As a result, equity markets should out-perform bond markets for at least the first part of the year.

The narrowness of several equity markets, especially the Canadian market, is an area of concern and risk. At year-end, Nortel and BCE Inc. accounted for 27% of the TSE 300 Index. Whether over-weighted or under-weighted, these holdings had a significant impact on performance and could continue to have a similar effect as the year progresses. However, the narrowness may be an opportunity, as currently undervalued stocks may rise in value in the future.

Fund Management

The assets of the Plan are held in trust by the Provincial Treasurer and invested solely for the benefit of the Plan's beneficiaries. The assets are invested according to the investment policies and guidelines of the UAP Board. Day-to-day management of the assets is delegated to the IMD of Alberta Treasury.

The long-term investment objective for UAPP is for the assets of the Plan to earn a rate of return sufficient to meet or exceed the growth in the Plan's liabilities on a prudent basis. This is achieved through a diversified portfolio and includes allocations to equities for growth and to bonds to generate income and manage market volatility. The Board sets the long-run asset allocation of the Plan and the relative value added by the Fund manager is measured against a return based on the "passive" investment of the fund according to the long-run asset allocation and against a peer group of other Canadian institutional investors.

The Plan's *Statement of Investment Policies and Goals* establishes the range within which IMD can change the asset allocation or product mix to add value relative to the policy benchmark. In addition, each individual product will have a specific value-added target. The Board reviewed the asset allocation policy in 1998 and by the beginning of 1999 the new policy was largely implemented.

Investment Report

Asset Mix (% of Market Value)

as at December 31, 1999

	Policy Range Min - Max	Current Asset Policy Mix	Actual Asset Mix 1999	1998
Fixed Income				
Cash & Short-term	0 - 5	2	**1.0**	1.3
Long Duration Bonds	25 - 31	28	**27.0**	28.9
Real Rate of Return Bonds	7 - 13	10	**9.5**	9.9
Total	37 - 43	40	**37.5**	40.1
Equity				
Canadian Equity	26 - 34	30	**31.7**	30.3
Foreign Equity				
U.S.	9 - 15	12	**11.4**	12.7
International	12 - 18	15	**18.5**	14.2
Emerging Markets	2 - 4	3	**0.9**	0.4
Real Estate	0	0	**0.0**	2.3
Total	57 - 63	60	**62.5**	59.9

return came from a few Large Cap companies, particularly Nortel Networks and its parent company BCE Inc. Our external managers with mandates to invest in medium to large companies were generally under-weighted in both Nortel and BCE Inc. With small capitalization stocks out of favour, the external managers with these mandates also failed to reach their benchmarks.

Outlook

The current investment outlook remains positive although risks are evident. The U.S. economy is heading into its tenth year of growth amid concerns regarding inflation. This has already impacted the fixed income market and will continue to impact markets during the year. Countering the rise in interest rates, however, are expectations for continued growth in world economies and corporate earnings. This growth, along with strong government fiscal positions and subdued inflation in most economies, can prolong the expansion. As a result, equity markets should out-perform bond markets for at least the first part of the year.

The narrowness of several equity markets, especially the Canadian market, is an area of concern and risk. At year-end, Nortel and BCE Inc. accounted for 27% of the TSE 300 Index. Whether over-weighted or under-weighted, these holdings had a significant impact on performance and could continue to have a similar effect as the year progresses. However, the narrowness may be an opportunity, as currently undervalued stocks may rise in value in the future.

Fund Management

The assets of the Plan are held in trust by the Provincial Treasurer and invested solely for the benefit of the Plan's beneficiaries. The assets are invested according to the investment policies and guidelines of the LAPF Board. Day-to-day management of the assets is delegated to the IMD of Alberta Treasury.

The long-term investment objective for LAPF is for the assets of the Plan to earn a rate of return sufficient to meet or exceed the growth in the Plan's liabilities on a prudent basis. This is achieved through a diversified portfolio that includes allocations to equities for growth and to bonds to generate income and manage market volatility. The Board sets the long-run asset allocation of the Plan and the relative value added by the Fund manager is measured against a return based on the "passive" investment of the fund according to the long-run asset allocation and against a peer group of other Canadian institutional investors.

The Plan's Statement of *Investment Policies and Goals* establishes the range within which IMD can change the asset allocation or product mix to add value relative to the policy benchmark. In addition, each individual product will have a specific value-added target. The Board reviewed the asset allocation policy in 1998 and by the beginning of 1999 the new policy was largely implemented.

Investment Report

A product may be developed internally using IMF staff or externally through hiring an external investment manager. The decision to use an external manager is based on the skills required to successfully implement the particular strategy. Whether the product's management is internal or external, written guidelines are established for the product and the performance is reviewed regularly with respect to the guidelines and investment objectives.

Nearly all of the Plan's investments are held through pools. As a result, IMF has been able to continue to maintain a relatively low cost structure. Investment costs were about one-tenth of one percent of the Plan's total assets.

Asset Class Commentary

Fixed Income

Interest rates rose through the course of the year. *The Scotia Capital Markets 91-Day T-Bill* rate rose from 4.7% to 4.9% while the 10-year bond yield rose from 4.9% to 6.2%. When bond yields rise, the price of bonds declines. As a result, the bond market, as measured by the *Scotia Capital Markets Long Bond Index*, recorded a -6.3% return for the year.

The Fund's cash and short-term component returned 5.1% for the year, four tenths of one percent higher than the Scotia Capital Markets 91-Day T-Bill Index. The focus is on maintaining a liquid portfolio of high-quality marketable

Asset Class Performance Relative to Benchmarks

	1999 %	1998 %	1997 %	1996 %
Total Fund	**15.7**	7.5	12.4	16.1
Policy Return*	**13.4**	9.1	13.6	18.6
SEI Median Return, funds over $1 billion	**13.3**	9.0	14.8	18.0
CPI (Alberta)	**2.4**	1.0	1.6	1.6
Short-term	**5.1**	5.2	4.0	6.2
SCM 91-Day T-Bill	**4.7**	4.7	3.2	5.0
Fixed Income	**-2.3**	8.5	9.2	12.3
Long Duration Bonds		n/a	n/a	n/a
SCM Long Bond Index	**-6.0**	12.9	18.5	14.2
Real Return Bonds	**8.1**	6.1	4.7	11.7
SCM Real Return Bond Index	**8.0**	6.0	4.7	11.7
Fixed Income Index*	**-2.5**	9.2	9.6	12.3
SEI Bonds Median	**-1.3**	9.4	9.7	11.9
Canadian Equity	**27.3**	3.5	14.7	29.8
Canadian Equity Index*	**30.6**	1.6	15.0	28.4
SEI Canadian Equities Median	**24.1**	1.8	19.3	29.3
Foreign Equity	**30.6**	24.7	15.3	13.0
Foreign Equity Index*	**18.7**	33.5	20.9	14.0

Compound Annualized Return Ending December 31, 1999

	Annualized years 1	2	3	4	5
Total Fund	**15.7**	**11.5**	**11.8**	**12.9**	**11.6**
Policy Return*	13.4	11.2	12.0	13.6	12.5
SEI Median Return, funds over $1 billion	13.3	11.4	12.5	13.8	12.1
CPI (Alberta)	2.4	1.8	1.4	1.6	1.5
Short-term	**5.1**	**5.2**	**4.8**	**5.1**	**5.9**
SCM 91-Day T-Bill	4.7	4.7	4.2	4.4	5.4
Fixed Income	**-2.3**	**3.0**	**5.0**	**6.8**	**8.7**
Long Duration Bonds	5.8	1.2	3.9	5.9	8.3
SCM Long Bond Index	6.0	3.0	7.9	9.5	10.9
Real Return Bonds	8.1	7.1	6.3	7.6	n/a
SCM Real Return Bond Index	8.0	7.0	6.2	7.6	6.8
Fixed Income Index*	2.5	3.2	5.3	7.0	8.8
SEI Bonds Median	1.3	3.9	5.8	7.4	n/a
Canadian Equity	**27.3**	**10.8**	**12.1**	**16.3**	**12.7**
Canadian Equity Index*	30.6	13.4	13.9	17.4	13.9
SEI Canadian Equities Median	24.1	11.0	12.5	16.9	n/a
Foreign Equity	**30.6**	**27.6**	**23.4**	**20.7**	**17.3**
Active - Global	42.4	32.6	24.5	21.2	17.5
Foreign Equity Index*	18.7	25.9	24.2	21.6	18.1

*Customized Indexes:
The Policy Return is based on 2% Cash & short-term, 28% Long duration bonds, 8% Real return bonds, 27% Canadian, 25% EAFE and 10% Emerging Markets Free.
Fixed Income Index: 14% SCM Long Bond Index and 3% SCM Real Return Bond Index.
Canadian Equity Index: 80% TSE 300 and 10% Nesbitt Burns Small Cap Index.
Foreign Equity Index: 42.5% S&P 500, 42.5% MSCI EAFE and 15% MSCI Emerging Markets Free.

Investment Report

A product may be developed internally using IMD staff or externally through hiring an external investment manager. The decision to use an external manager is based on the skills required to successfully implement the particular strategy. Whether the product's management is internal or external, written guidelines are established for the product and the performance is reviewed regularly with respect to the guidelines and investment objectives.

Nearly all of the Plan's investments are held through pools. As a result, IMD has been able to continue to maintain a relatively low cost structure. Investment costs were about one tenth of one percent of the Plan's total assets.

Asset Class Commentary

Fixed Income

Interest rates rose through the course of the year. *The Scotia Capital Markets 91-Day T-Bill* rate rose from 4.7% to 4.9% while the 10-year bond yield rose from 4.9% to 6.2%. When bond yields rise, the price of bonds declines. As a result, the bond market as measured by the *Scotia Capital Markets Long Bond Index* recorded a -6.0% return for the year.

The Fund's cash and short-term component returned 5.1% for the year, four tenths of one percent higher than the Scotia Capital Markets 91-Day T-Bill Index. The focus is on maintaining a liquid portfolio of high-quality marketable

Asset Class Performance Relative to Benchmarks

	1999 %	1998 %	1997 %	1996 %
Total Fund		7.5	12.4	16.1
Policy Return*		9.1	13.6	18.6
SEI Median Return, funds over $1 billion		9.0	14.8	18.0
CPI (Alberta)		1.0	1.6	1.6
Short-term		5.2	4.0	6.2
SCM 91-Day T-Bill		4.7	3.2	5.0
Fixed Income		8.5	9.2	12.3
Long Duration Bonds		n/a	n/a	n/a
SCM Long Bond Index		12.9	18.5	14.2
Real Return Bonds		6.1	4.7	11.7
SCM Real Return Bond Index		6.0	4.7	11.7
Fixed Income Index*		9.2	9.6	12.3
SEI Bonds Median		9.4	9.7	11.9
Canadian Equity		-3.5	14.7	29.8
Canadian Equity Index*		-1.6	15.0	28.4
SEI Canadian Equities Median		-1.8	19.3	29.3
Foreign Equity		24.7	15.3	13.0
Foreign Equity Index*		33.5	20.9	14.0

Compound Annualized Return Ending December 31, 1999

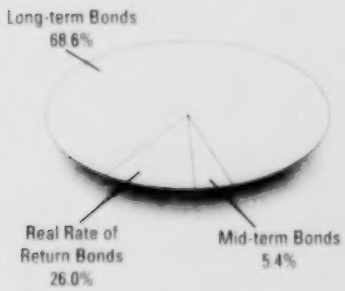
	Annualized Years 1	2	3	4	8
Total Fund					
Policy Return*	13.4	11.2	12.0	13.6	12.5
SEI Median Return, funds over $1 billion	13.3	11.4	12.5	13.8	12.1
CPI (Alberta)	2.4	1.8	1.4	1.6	1.5
Short-term					
SCM 91-Day T-Bill	4.7	4.7	4.2	4.4	5.4
Fixed Income					
Long Duration Bonds	-5.8	1.2	3.9	5.9	8.3
SCM Long Bond Index	-6.0	3.0	7.9	9.5	10.9
Real Return Bonds	8.1	7.1	6.3	7.6	n/a
SCM Real Return Bond Index	8.0	7.0	6.2	7.6	6.8
Fixed Income Index*	-2.5	3.2	5.3	7.0	8.8
SEI Bonds Median	-1.3	3.9	5.8	7.4	n/a
Canadian Equity					
Canadian Equity Index*	30.6	13.4	13.9	17.4	13.9
SEI Canadian Equities Median	24.1	11.0	12.5	16.9	n/a
Foreign Equity					
Active - Global	42.4	32.6	24.5	21.2	17.5
Foreign Equity Index*	18.7	25.9	24.2	21.6	18.1

*Customized indexes:
The Policy return is based on: 2% cash & short-term, 28% long duration bonds, 10% *real return bonds*, 27% *large cap*, 3% *small cap*, 30% foreign equity index.
Fixed Income Index: 74% SCM Long Bond Index and 26% SCM Real Return Bond Index.
Canadian Equity Index: 90% TSE 300 and 10% Nesbitt Burns Small Cap Index.
Foreign Equity Index: 43.5% S&P 500, 53.5% MSCI EAFE and 3% MSCI Emerging Markets Free.

securities. The overall term to maturity is not to exceed 180 days and at least 40% of the portfolio is to be in government and government-guaranteed securities. The out-performance can be attributed to exposure to higher yielding bank and corporate paper.

The fixed income component is largely invested in a broadly diversified pool of publicly traded long-term and *real return bonds*. In total, the Fund's fixed income return was -2.3%, slightly ahead of the benchmark based on the Scotia Capital Markets Long Bond and Real Return Indices which returned -2.5%. The Fund's bond component out-performed the Scotia Capital Markets Long Bond benchmark return by two tenths of one percent while real return bonds performed in line with the benchmark.

Composition of the Fixed Income Component

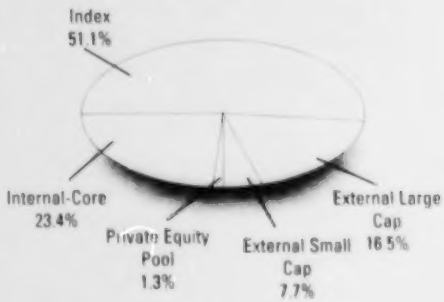


Canadian Equity

The TSE 300 Index returned 31.7% during 1999. This performance was strongly influenced by BCE Inc. and Nortel, which accounted for 72% of the *total return* of the index. In total, the Fund's Canadian equity component returned 27.3% during 1999. This was 3.3% below the benchmark based on 90% TSE 300 and 10% Nesbitt Burns *Small Cap* Index.

The Canadian equity component includes both indexed and actively managed mandates. Two mandates are managed internally: the indexed and core pools. The indexed pool, which replicates the TSE 300 Index benchmark, returned 32.1%. The core pool, managed on a tightly constrained basis relative to the benchmark, returned 33.2%. As noted previously, the externally managed pools under-performed the benchmark. Managers with mandates to invest in Small Cap companies returned 8.4% in aggregate versus a 20.1% return for the Nesbitt Burns Small Cap Index. While the managers dramatically under-performed the benchmark in 1999, over the last three years the managers are still 2.6% ahead of the benchmark. Managers with mandates to invest in Large Cap companies returned 16.3% versus 31.7% for the TSE 300. A key reason for under-performance was that all managers held reduced weightings in BCE Inc. and Nortel, as they believed that the price for both companies was too high. Further, reflecting the market weight of the two stocks in their portfolios would also result in excessive concentration that would be counter to the objective of holding a diversified portfolio.

Composition of Canadian Equities Component



Top 10 Combined Canadian Equity Holdings

Company	% of Pool Holding
Nortel Networks Corp.	9.5
BCE Inc.	8.2
Toronto Dominion Bank	2.6
Royal Bank of Canada	1.8
Bank of Montreal	1.8
Seagram Co Ltd.	1.7
Bank of Nova Scotia	1.7
Bombardier Inc.	1.4
Alcan Aluminum Ltd.	1.3
Celestica Inc.	1.2

Investment Report

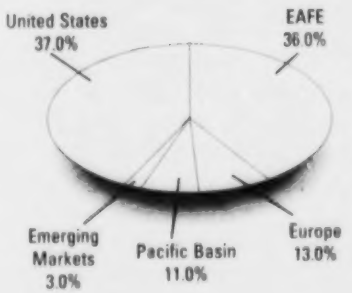
Foreign Equity

The foreign equity markets performed well in 1999, as the Fund's foreign equity component returned 30.6% versus a benchmark of 18.7% based on the S&P 500 and the Morgan Stanley Europe, Australia and Far East Index and Emerging Markets Index. The Fund's strong relative performance was attributable to several factors.

- The managers in the Pacific Basin were able to out-perform their benchmark by a substantial margin. Much of the out-performance came from investments directed at stocks benefiting from the structural changes occurring in the Japanese economy. An over-weight in the Pacific Basin which was the strongest performing market during the year further helped the performance.
- A significant portion of the Fund's foreign equity exposure is in the form of equity swaps where the income on Canadian short-term instruments is swapped for the return of a foreign equity index in the local currency of the index. This allows the Fund to maintain a foreign equity exposure greater than 20%. As the transaction is done in Canadian dollars, the equity swaps will out-perform relative to an unhedged benchmark if the Canadian dollar increases in value as was the case in 1999.
- Improved relative performance of the U.S. component also added to the strong performance of the foreign equities. In the past, the U.S. component had significantly under-performed its benchmark, the S&P 500. In 1998, in line with the Board's direction, IMD decided to wind-up the internally managed U.S. pool and replace it with an index pool that would match the return of the S&P 500. As a result, the variance from the index has been substantially reduced.

The foreign equity exposure is broadly diversified across all markets. Relative to the policy benchmark which is equally weighted between the U.S. and international equities, the Fund has a slight under-weight in the U.S. offset by an over-weight in international equities, particularly in the Pacific Basin.

Composition of Foreign Equities Component

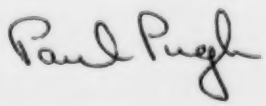


Top 10 U.S. Equity Pool Holdings

Company	% of Pool Holding
Microsoft Corp.	4.4
General Electric Co.	3.7
Cisco Systems Inc.	3.6
Citigroup Inc.	2.8
MCI Worldcom Inc.	2.2
EMC Corp.	2.2
Exxon Mobil Corp.	2.1
Intel Corp.	2.0
Lucent Technologies	2.0
Motorola Inc.	1.8

Top 10 International Equity Pool Holdings

Company	% of Pool Holding
Nippon Tel & Tel CP	2.0
Nokia (AB) OY	1.9
Total Fina	1.8
Fujitsu	1.5
Sony Corp.	1.4
Deutsche Telekom	1.4
BP Amoco	1.4
Mannesmann AG	1.2
Softbank Corporation	1.2
NTT Mobile Communications	1.2



Paul Pugh, CFA
Chief Investment Officer
Investment Management Division
Alberta Treasury

Administration Report

Alberta Pensions Administration (APA) Corporation administers the Universities Academic Pension Plan (UAPP) by collecting contributions, keeping accurate and secure records, as well as paying benefits to pensioners and members who are leaving the Plan. It also provides plan information to members and employers and supports the activities of the pension board.

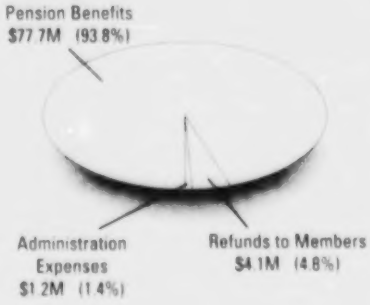
Pension Contributions

Contributions made to UAPP in 1999 totalled $48.3 million. This is comprised of: members $22.6 million; employers $21.8 million; and Government of Alberta $3.9 million. The following chart shows the proportionate contributions made to the Plan. This total does not include revenue from the Plan Fund's investments.

* Member contributions include prior service contributions.

Pension Payments

Payments from the Plan in 1999 totalled $83.0 million. The breakdown of payments is as follows: pension benefits $77.7 million; refunds to members $4.1 million; and $1.2 million in Plan expenses. The following chart shows the proportionate distribution of payments from the Plan.



UAPP Expenses

In 1999, general administration costs, investment costs and actuarial fees totalled $1,163,000 or $164 per member. Of this amount, APA costs totalled $574,000 or $81 per member.

Statistical Information

The following tables provide statistical information on Plan participation and retirements for 1999. Statistics from 1998 are shown for comparison.

Participation

	1999	1998
Active Members	[illegible]	4,364
Deferred Members	[illegible]	430
Pensioners	[illegible]	2,168
Total	[illegible]	6,962

New Pensioners

	1999	1998
Retirements	[illegible]	26
Early Retirements	[illegible]	78
Disability Retirements	[illegible]	0
Death Benefits to Spouses	[illegible]	7
Total	[illegible]	111

New Pensioner Retirement Choices as at December 31, 1999

	1999	1998
Single Life	[illegible]	5
Joint Life	[illegible]	61
Guaranteed Terms	[illegible]	45
Total	[illegible]	111

Monthly Payment Distributions as at December 31, 1999

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	172	13	185
1,000 to 1,999	404	44	448
2,000 to 2,999	515	32	547
3,000 to 3,999	576	12	588
4,000 and over	473	1	474
Total	[illegible]		

Administration Report

Alberta Pensions Administration (APA) Corporation administers the Universities Academic Pension Plan (UAPP) by collecting contributions, keeping accurate and secure records, as well as paying benefits to pensioners and members who are leaving the Plan. It also provides plan information to members and employers and supports the activities of the pension board.

Pension Contributions

Contributions made to UAPP in 1999 totalled $48.3 million. This is comprised of: members $22.6 million; employers $21.8 million; and Government of Alberta $3.9 million. The following chart shows the proportionate contributions made to the Plan. This total does not include revenue from the Plan Fund's investments.

Pension Payments

Payments from the Plan in 1999 totalled $83.2 million. The breakdown of payments is as follows: pension benefits $77.7 million; refunds to members $4.1 million; and $1.2 million in Plan expenses. The following chart shows the proportionate distribution of payments from the Plan.

UAPP Expenses

In 1999, general administration costs, investment costs and actuarial fees totalled $1,163,000 or $104 per member. Of this amount, APA costs totalled $574,000 or $51 per member.

Statistical Information

The following tables provide statistical information on Plan participation and retirements for 1999. Statistics from 1998 are shown for comparison.

Participation

	1999	1998
Active Members	4,527	4,364
Deferred Members	446	430
Pensioners	2,242	2,168
Total	7,215	6,962

New Pensioners

	1999	1998
Retirements	25	26
Early Retirements	68	78
Disability Retirements	0	0
Death Benefits to Spouses	7	7
Total	100	111

New Pensioner Retirement Choices as at December 31, 1999

	1999	1998
Single Life	8	5
Joint Life	60	61
Guaranteed Terms	34	45
Total	100	111

Monthly Payment Distributions as at December 31, 1999

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	172	13	185
1,000 to 1,999	404	44	448
2,000 to 2,999	515	32	547
3,000 to 3,999	576	12	588
4,000 and over	473	1	474
Total	2,140	102	2,242

Administration Report

Business Transformation - APEX Project

APA determined that the contractor for a new pension administration system to be tailored for the APEX (Alberta Pensions Excellence) project was not meeting performance targets. As a result, the APEX project was put on hold in January, 2000.

APA's current pension administration system - while requiring replacement in the near term - remains functional. An evaluation of other options for a pension administration system is to be completed no later than mid-April, 2000 for consideration by the APA Corporate Board and stakeholders. An outside consultant will assist in the evaluation of options. APA's Board and management are committed to quick action to get APEX back in full gear.

Employer Task Force

As a result of three days of Employer Task Force meetings in June, APA representatives received valuable feedback regarding UAPP employers' reporting and system requirements. In response to the feedback, APA provided a detailed report to Task Force participants of recommendations and outstanding tasks, established a Forms Team and Specifications Team to respond to Task Force recommendations, and accelerated the pace towards on-line access for employers. Follow-up meetings of the Employer Task Force are planned for the coming year.

Year 2000 Issue

Complying with due diligence requirements associated with the Year 2000 computer issue, APA was well-prepared and had sound contingency plans in place for potential problems. As a result of this preparation, no APA customers were impacted and operations continued normally. A continuing benefit from these efforts is the expansion of risk management procedures and documentation for future business recovery scenarios.

Communications

In 1999, at the request of the Board, APA established and provided support for UAPP's new Web site www.uapp.apaco.ab.ca as well as operating its own site www.apaco.ab.ca. Improvements will be made to the UAPP Web site in the coming year.

During the year, APA produced UAPP Member Annual Statements for distribution by employers.

Performance Measurements

Each year APA participates in a nation-wide survey of public sector pension administrators known as the Quantitative Service Measurement (QSM). The survey, administered by Corden Consultants, compares APA's cost and service delivery times with those of other large pension administrators. The 1999 results showed APA continues to be one of the most cost-effective pension plan administrators of similar size. Service standards also compare favourably with other QSM participants.

APA reviews its performance by measuring achievements against pre-determined standards for major activities. Those activities which do not match established standards are reviewed and actions are taken to meet objectives.

Acknowledgements

APA wishes to acknowledge the UAP Board and the Provincial Treasurer for their support throughout the year. We also thank employers for their cooperation and for meeting timelines for year-end reporting of employee data. Employers' participation in the Employer Task Force and with APA's Recognition Program by nominating employees who provide excellent customer service is also greatly appreciated.

George Buse
Chief Operating Officer
Alberta Pensions Administration Corporation

Management's Responsibility for Financial Reporting

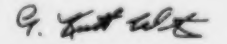
The financial statements and information in the 1999 Annual Report are the responsibility of the Provincial Treasurer and Alberta Pensions Administration Corporation and have been approved by management and the Board.

The financial statements have been prepared in conformity with generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgements. Financial information presented in the 1999 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

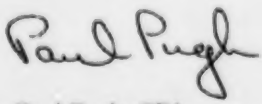
To discharge their responsibility for the integrity and objectivity of financial reporting, both the Provincial Treasurer, acting in the capacity of investment manager, and Alberta Pensions Administration Corporation, acting in the capacity of pension administrator, maintain a system of internal accounting controls comprising written policies, standards and procedures and a formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments and financial statements. His examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements prepared by management.



Keith Winter
Chair
Universities Academic
Pension Board



Paul Pugh, CFA
Chief Investment Officer
Investment Management Division
Alberta Treasury

George Buse
Chief Operating Officer
Alberta Pensions Administration
Corporation

Auditor's Report

To the Universities Academic Pension Board

I have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan as at December 31, 1999 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

Edmonton, Alberta
March 2, 2000

FCA
Auditor General

M121

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Statement of Net Assets and Accrued Pension Liability

As at December 31, 1999
($ thousands)

	1999	1998
Net assets available for benefits		
Assets		
Investments (Note 3)	$1,7[illegible]	$1,539,311
Accrued investment income	[illegible]	2,322
Contributions receivable:		
Employers	[illegible]	1,731
Employees	[illegible]	1,866
Province of Alberta	[illegible]	287
	1,7[illegible]	1,545,517
Liabilities		
Accounts payable and accrued liabilities	[illegible]	547
Net assets available for benefits	1,7[illegible]	1,544,970
Asset fluctuation reserve	[illegible]	(27,300)
Actuarial value of net assets	1,[illegible]	1,517,670
Deficiency	1[illegible]	172,730
Accrued pension liability	$1,7[illegible]	$1,690,400

See accompanying notes and schedules.

Statement of Net Assets and Accrued Pension Liability

As at December 31, 1999
(thousands)

	1999	1998
Net assets available for benefits		
Assets		
Investments (Note 3)	$1,746,574	$1,539,211
Accrued investment income	2,014	2,322
Contributions receivable		
Employers	1,535	1,731
Employees	1,598	1,866
Province of Alberta	299	287
	1,752,020	1,545,517
Liabilities		
Accounts payable and accrued liabilities	558	547
Net assets available for benefits	1,751,462	1,544,970
Asset formation reserve	(88,300)	(27,300)
Actuarial value of net assets	1,663,162	1,517,670
Deficiency	109,238	172,730
Accrued pension liability	$1,772,400	$1,690,400

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31
(\$ thousands)

	1999	1998
Contributions received		
Current and past service		
Employers	**$ 19,702**	$ 18,515
Employees	**20,517**	20,155
Additional contributions to meet pre-1992 unfunded liability		
Employers	**2,092**	2,404
Employees	**2,092**	2,404
Province of Alberta	**3,873**	3,435
Transfers from other plans	**48**	309
	48,324	47,222
Other income		
Net investment income (Note 6)	**241,119**	108,802
Payments made		
Pension benefits	**(77,726)**	(73,629)
Refunds and transfers to members	**(4,062)**	(3,933)
Plan expenses (Note 7)	**(1,163)**	(934)
	(82,951)	(78,496)
Increase in net assets	**206,492**	77,528
Net assets available for benefits at beginning of year	**1,544,970**	1,467,442
Net assets available for benefits at end of year	**$ 1,751,462**	$ 1,544,970

See accompanying notes and schedules

Statement of Changes in Accrued Pension Liability

	Year Ended December 31, 1999			Two Years Ended December 31, 1998
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability:				
Interest accrued on liability	$ 97,700	$ 28,200	$ 125,900	$ 241,800
Benefits earned	-	40,800	40,800	83,900
Net experience losses (gains)	-	-	-	26,500
Changes in actuarial assumptions	-	-	-	49,300
Changes in TIAA - CREF balance	-	-	-	3,200
Present value of prior service payments due	-	-	-	1,000
	97,700	69,000	166,700	405,800
Decrease in accrued pension liability:				
Benefits paid, including interest	75,000	9,700	84,700	160,900
Net increase in accrued pension liability	22,700	59,300	82,000	244,900
Accrued pension liability at beginning of period	1,343,121	347,279	1,690,400	1,445,500
Accrued pension liability at end of period (Note 8)	$ 1,365,821	$ 406,579	$ 1,772,400	$1,690,400

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31
($thousands)

	1999	1998
Contributions received		
Current and past service:		
Employers	$	$ 18,515
Employees		20,155
Additional contributions to meet pre-1992 unfunded liability:		
Employers		2,404
Employees		2,404
Province of Alberta		3,435
Transfers from other plans		309
		47,222
Other income		
Net investment income (Note 6)		108,802
Payments made		
Pension benefits		(73,629)
Refunds and transfers to members		(3,933)
Plan expenses (Note 7)		(934)
		(78,496)
Increase in net assets		77,528
Net assets available for benefits at beginning of year		1,467,442
Net assets available for benefits at end of year	$	$ 1,544,970

See accompanying notes and schedules.

Statement of Changes in Accrued Pension Liability

For periods ended December 31
($thousands)

	Year ended December 31, 1999			Two years ended December 31, 1998
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 97,700	$ [illegible]		$ 241,900
Benefits earned	-	[illegible]		83,900
Net experience losses (gains)	-	[illegible]		26,500
Changes in actuarial assumptions	-	[illegible]		49,300
Changes in TIAA - CREF balance	-	[illegible]		3,200
Present value of prior service payments due	-	[illegible]		1,000
	97,700	[illegible]		405,800
Decrease in accrued pension liability				
Benefits paid, including interest	75,000	[illegible]		160,900
Net increase in accrued pension liability	22,700	[illegible]		244,900
Accrued pension liability at beginning of period	1,343,121	[illegible]		1,445,500
Accrued pension liability at end of period (Note 8)	$ 1,365,821	$ [illegible]		$1,690,400

The periods presented coincide with the performance of the actuarial valuations carried out at December 31, 1996, and 1998 and extrapolation made at December 31, 1999.

See accompanying notes and schedules.

Statement of Changes in Deficiency

	Year ended December 31, 1999			Two years ended December 31, 1998
	Pre 1992	Post 1991	Total	Total
Deficiency (surplus) at beginning of period	$ 203,421	$ (30,691)	$ 172,730	$ 222,107
Net increase in net assets available for benefits	(114,000)	(92,492)	(206,492)	(217,677)
Net increase (decrease) in asset fluctuation reserve	43,800	17,200	61,000	(76,600)
Net increase in accrued pension liability	22,700	59,300	82,000	244,900
Deficiency (surplus) at end of period	$ 155,921	$ (46,683)	$ 109,238	$ 172,730

Statement of Changes in Deficiency

For periods ended December 31
($thousands)

	Year ended December 31, 1999			Two years ended December 31, 1998
	Pre-1992	Post-1991	Total	Total
Deficiency (surplus) at beginning of period	$ 203,421	[illegible]		$ 222,107
Net increase in net assets available for benefits	(114,000)	[illegible]		(217,677)
Net increase (decrease) in asset fluctuation reserve	43,800	[illegible]		(76,600)
Net increase in accrued pension liability	22,700	[illegible]		244,900
Deficiency (surplus) at end of period	$ 155,921	[illegible]		$ 172,730

See accompanying notes and schedules.

Notes to the Financial Statements

December 31, 1999

Note 1
Summary Description of the Plan

The following description of the Universities Academic Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, as amended, and Alberta Regulation 370/93.

(a) General

The Universities Academic Pension Plan is a contributory defined benefit pension plan for all academic staff members and other eligible employees of the universities of Alberta, Calgary, Lethbridge, Athabasca University and The Banff Centre.

(b) Funding Policy

Contributions under the plan and investment earnings are expected to fund all benefits payable under the plan. Contributions are reviewed in consultation with the plan's actuary at least once every three years by the Universities Academic Pension Board.

Current service costs for the universities of Alberta, Calgary and Lethbridge are funded by matching employee and employer contributions on pensionable salaries. Rates in effect at December 31, 1999, are 5.9% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 8.3% for any excess.

Rates in effect for employees of Athabasca University and The Banff Centre are 5.4% of pensionable salaries up to the Canada Pension Plan's YMPE and 7.8% for any excess. Employers contribute at a rate 1.0% more than employees.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The employer and employee rate at December 31, 1999 is 0.475% each of salary and the rate for the Province of Alberta is 1.25% of salary.

(c) Retirement Benefits

The plan provides for a pension of 2.0% for each year of pensionable service, based on the average salary of the highest five consecutive years. The maximum service allowable under the plan is 35 years. The plan's benefits and contributions were integrated with the Canada Pension Plan as of January 1, 1994. As a result, pensions for service after 1993 are reduced at age 65. The reduction is based on 0.6% of the Canada Pension Plan's five-year average YMPE immediately preceding the date of retirement.

Subject to certain conditions, members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 65 and have at least five years of service or have attained age 55 and have at least ten years of service.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least five years of service or have attained age 55 and the sum of their age and service equals 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least five years of service.

(d) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the plan.

Members who become disabled and have at least five years of service and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension. If total service is less than ten years, the pension is based on post-1993 service only. A reduced pension is paid where the member is partially disabled.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member had at least ten years of service, a surviving spouse may choose to receive a survivor pension based on total service. For service between five and ten years, the surviving spouse may choose to receive a pension based on the post-1993 service and a lump sum payment for pre-1994 service. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Termination benefits for service before 1994 are different than for service after 1993.

Refunds in relation to service performed before 1994 are based on both employee and employer contributions plus interest if transferred directly to a RRSP. Otherwise, refunds are restricted to employee contributions and interest.

For service after 1993, the refund depends on whether the member has more or less than five years of total service. If the member has five or more years of service, the refund is based on the greater of the commuted value or 1.75 times employee contributions and interest. If the member has less than five years' service, the refund is equal to employee contributions plus interest. Refunds are subject to the plan lock-in provisions.

Note 1 Summary Description of the Plan (continued)

Members who terminate with fewer than five years of service and who are not immediately entitled to a pension may receive a refund.

Members who terminate with more than five years of service and are not immediately entitled to a pension may elect to receive a refund or a deferred pension.

(g) Prior Service and Transfers

All prior service purchases are to be made on a basis that is cost-neutral to the plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transferred-out service receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act*. The plan's registration number is 0339572.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year. They do not reflect the funding requirements of the plan.

The majority of plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, the current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of Net Investment Income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned, and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3
Investments (Schedules A to C)

Investments are summarized as follows:

	1999 ($ thousands)	%	1998 ($ thousands)	%
Deposit in the Consolidated Cash				
Investment Trust Fund (a)	$ 17,1[illegible]		$ 19,640	1.3
Fixed Income Securities				
Canadian Dollar Long Bond Pool (Schedule A)	43[illegible]		424,018	27.5
Real Rate of Return Bonds (b)	16[illegible]		153,105	9.9
Floating Rate Note Pool (c)	1[illegible]		-	-
Canadian Dollar Public Bond Pool (d)	14,7[illegible]		21,079	1.4
Private Bond Pool			65	-
Total deposit and fixed income securities	6[illegible]		617,907	40.1
Canadian Equities				
Domestic Passive Equity Pooled Fund (Schedule B)	2[illegible]		218,236	14.2
External Managers Fund (Canadian) (Schedule C)	13[illegible]		115,860	7.5
Canadian Pooled Equities Fund (e)	12[illegible]		106,603	6.9
Private Equity Pool (f)	7,[illegible]		9,226	0.6
Domestic Structured Equity Pooled Fund			16,801	1.1
Transition Account and miscellaneous			181	-
Foreign Equities				
External Managers Fund (Global) (Schedule C)	20[illegible]		187,267	12.2
EAFE Structured Equity Pooled Fund (g)	13[illegible]		-	-
External Managers Fund (United States) (Schedule C)	10[illegible]		48,097	3.1
US Passive Equity Pooled Fund (h)	5[illegible]		48,598	3.2
US Structured Equity Pooled Fund (i)	41,[illegible]		-	-
United States Pooled Equities Fund	[illegible]		1,202	0.1
Global Structured Equity Pooled Fund			134,374	8.7
Equities in Real Estate				
Private Real Estate Pool			34,959	2.3
Total equities	1,[illegible]		921,404	59.9
Total investments	$1,74[illegible]		$1,539,311	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation and have terms to maturity of over 20 years.

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 1999, securities held by the Pool have an average effective yield of 6.47% per annum based on market (1998: 5.44% per annum). Approximately 74% (1998: 73%) of the securities held will mature in ten years or less.

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The Private Equity Pool is in the process of orderly liquidation.

	$ 17,169	1.0
	438,819	25.1
	165,798	9.5
	19,465	1.1
	14,757	0.8
	-	-
	656,008	37.5
	282,517	16.2
	133,678	7.7
	129,435	7.4
	7,510	0.4
	-	-
	-	-
	201,099	11.5
	137,204	7.9
	102,430	5.9
	54,299	3.1
	41,901	2.4
	493	-
	-	-
	-	-
	1,090,566	62.5
	$1,746,574	100.0

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation and have terms to maturity of over 20 years.

The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations

	$	
	$ 136,763	$
	54,814	
	41,887	
	-	
	118,730	
	-	
	2,511	
	82,210	
	70,133	
	28,827	
	14,515	
	9,571	
	2,212	
	-	
	-	
	$ 559,973	$

	$ 1,019	$ -	$ 1,019
	22,961	(49,060)	(26,099)
	9,896	2,111	12,007
	303	(260)	43
	969	(1,291)	(322)
	-	3	3
	-	-	-
	35,148	(48,497)	(13,349)
	32,620	38,059	70,679
	1,414	14,404	15,818
	1,799	31,233	33,032
	265	899	1,164
	7	(30)	(23)
	1,455	(101)	1,354
	2,961	58,585	61,546
	25,179	(496)	24,683
	487	12,586	13,073
	9,400	(2,900)	6,500
	3,047	186	3,233
	2	(618)	(616)
	26,334	(2,307)	24,027
	-	(2)	(2)
	104,970	149,498	254,468
	$ 140,118	$ 101,001	$ 241,119

	$ 893
	225
	45
	$1,163

Note 3 Investments (Schedules A to C) (continued)

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S&P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S&P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(i) The US Structured Equity Pool is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

Note 4
Investment Risk Management

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5
Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risk. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds as at December 31, 1999:

	1999	1998
	($ thousands)	
Index swaps:		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ [redacted]	$ -
US Passive Equity Pooled Fund		48,615
US Structured Equity Pooled Fund		-
Global Structured Equity Pooled Fund		125,401
Canadian equities		
Domestic Passive Equity Pooled Fund		88,800
Domestic Structured Equity Pooled Fund		16,257
Bonds - Canadian Dollar Public Bond Pool		3,859
Interest Rate Swaps:		
Fixed to floating rates		
EAFE Structured Equity Pooled Fund		-
Domestic Passive Equity Pooled Fund		60,453
US Structured Equity Pooled Fund		-
Floating Rate Note Pool		-
US Passive Equity Pooled Fund		4,525
Canadian Dollar Public Bond Pool		2,586
Global Structured Equity Pooled Fund		83,837
Domestic Structured Equity Pooled Fund		10,316
Total	$ [redacted]	$ 444,449

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds. Credit exposure relating to swaps is minimal as management deals only with counterparties rated not less than AA.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $20,563,000 (1998: $35,893,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $474,000 (1998: $Nil).

Note 6
Net Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
	($ thousands)			
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,018	$		$ 1,623
Canadian Dollar Long Bond Pool	22,981			(2,601)
Real Rate of Return Bonds	9,899			3,069
Floating Rate Note Pool	308			-
Canadian Dollar Public Bond Pool	988			42,789
Private Bond Pool	-			1,895
Private Mortgage Pool	-			3,912
	35,148			50,687
Equities:				
Domestic Passive Equity Pooled Fund	32,828			(33,275)
External Managers Fund (Canadian)	1,414			1,887
Canadian Pooled Equities Fund	1,788			(14,346)
Private Equity Pool	285			(87)
Transition Account and miscellaneous	7			26,979
Domestic Structured Equity Pooled Fund	1,486			(108)
External Managers Fund (Global)	2,881			37,975
EAFE Structured Equity Pooled Fund	25,179			-
External Managers Fund (United States)	487			12,851
US Passive Equity Pooled Fund	8,480			9,811
US Structured Equity Pooled Fund	3,047			-
United States Pooled Equities Fund	2			(1,891)
Global Structured Equity Pooled Fund	26,394			14,248
Private Real Estate Pool	-			4,071
	104,970			58,115
	$ 140,118	$		$ 108,802

(a) Income is comprised of dividends, interest, income and loss on swaps [see Note 2(f)], net of pooled funds management and associated custodial fees.

Note 7
Plan Expenses

	1999	1998
	($ thousands)	
General plan costs	$	$ 632
Investment management costs		273
Actuarial fees		29
	$	$ 934

General plan costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Treasury on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $1,594,000 (1998: $1,154,000), which have been deducted from investment income of the pools, are excluded from plan expenses.

Total expenses including pooled funds management and associated custodial fees amounted to $390 per member (1998: $306 per member). The $84 per member cost increase in 1999 is attributed to the following factors: increase in pooled funds management cost $56, increase in plan specific cost $28, increase in business process reengineering cost $18, decrease in general operations cost $10, and decrease in investment management cost $8.

Total expenses including pooled funds management and associated custodial fees amounted to 0.157% (1998: 0.135%) of assets under administration.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 1998 by William M. Mercer Limited and then extrapolated to December 31, 1999. The December 31, 1998 valuation resulted in a deficiency of $172.7 million as disclosed in the statement of net assets and accrued pension liability. The valuation as at December 31, 1998 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the plan's actuary, the Universities Academic Pension Board adopted this best estimate.

The major assumptions used were:

	December 31	
	1999 Extrapolation	1998 Valuation
	%	%
Asset real rate of return	[illegible]	4
Inflation rate (after phase-in period)	[illegible]	3.25
Investment return	[illegible]	7.25
Salary escalation rate (after phasing-in)*	[illegible]	3.25
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	[illegible]	60

* Excludes the merit and promotion.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 1999 allocated between the pre-1992 and post-1991 periods:

	1999			1998
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Fair value of assets	$1,274,900	[illegible]		$1,544,970
Asset fluctuation reserve	(85,000)	[illegible]		(27,300)
Actuarial value of net assets	1,209,900	[illegible]		1,517,670
Accrued pension liability	1,365,821	[illegible]		1,690,400
Deficiency (surplus)	$ 155,921	[illegible]		$ 172,730

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

As at December 31, 1999, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in an increase in the deficiency of the plan from $109 million to $203 million.

As at December 31, 1999, holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in an increase in the deficiency of the plan from $109 million to $144 million.

As at December 31, 1999, holding the inflation and salary escalation assumptions constant, a 1% increase in the assumed real long-term investment return would result in a change in the deficiency of the plan from a deficiency of $109 million to a surplus of $79 million.

Note 9
Remuneration of Board Members

Remuneration rates as approved by the Lieutenant Governor in Council are as follows:

	Chairman	Members
Remuneration Rate for 1999		
Up to 4 hours	$ 138	$ 102
4 to 8 hours	235	168
Over 8 hours	372	265

	1999	1998
During the year, the following amounts were paid:		
Remuneration		
Chairman	$	$ 4,909
Members (8)		31,864
Travel expenses		
Chairman		3,876
Members (8)		20,710

Board members are paid only for attending and preparing for board and committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours. Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown and is paid to the Provincial Treasurer.

Note 10
Budget Information

The accrued pension liability is based on the Universities Academic Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and the board's expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

Note 11
Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the plan, including those related to stakeholders, suppliers, or other third parties, have been fully resolved.

$1,275,900	$ 476,562	$ 1,751,462
(65,000)	(23,300)	(88,300)
1,209,400	453,262	1,663,162
1,365,821	406,579	1,772,400
$ 155,921	$ (46,683)	$ 109,238

4

125

125

125

50

	$ 5,771
	37,101
	1,741
	26,881

Schedule A

Schedule of Investments in Canadian Dollar Long Bond Pool (a)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Investment Trust Fund	$ 947	$ 947	$ 11,139	$11,139
Government of Canada direct and guaranteed	210,380	210,380	170,093	170,093
Other provincial: direct and guaranteed	136,329	136,329	127,203	127,203
Municipal	11,513	11,513	13,697	13,697
Corporate	73,906	73,906	106,725	106,725
Total deposit and fixed income securities	433,075	433,075	428,857	428,857
	5,744	5,744	4,935	4,935
	-	-	(9,774)	(9,774)
	5,744	5,744	(4,839)	(4,839)
	$ 438,819	$ 438,819	$ 424,018	$ 424,018

SCHEDULE B

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (1)

	1999		1998	
	PLAN SHARE	TOTAL POOL	PLAN SHARE	TOTAL POOL
	$ 6,402	$ 57,310	$ 3,983	$ 34,407
	1,001	8,960	1,488	12,924
	92,698	829,873	67,132	582,896
	100,101	896,143	72,583	630,227
Common shares and rights				
Communications and media	12,266	109,805	6,816	59,184
Conglomerates	4,992	44,694	4,468	38,806
Consumer products	8,426	75,435	9,129	79,267
Financial services	22,237	199,073	26,870	233,311
Gold and precious minerals	5,615	50,268	6,691	58,081
Industrial products	52,547	470,418	24,221	210,306
Merchandising	5,590	50,047	4,997	43,386
Metals and minerals	6,100	54,609	4,264	37,027
Oil and gas	15,128	135,433	11,661	101,252
Paper and forest products	5,356	47,950	2,361	20,500
Pipelines	2,331	20,865	2,692	23,373
Real estate and construction	3,529	31,596	2,910	25,262
Transportation and environmental services	2,545	22,781	3,077	26,722
Utilities	23,251	208,154	15,682	136,167
	169,913	1,521,128	128,259	1,113,667
	470	4,210		
	-	-	13,975	121,340
	170,383	1,525,338	142,234	1,234,907
	-	-	292	2,535
	12,033	107,720	4,201	36,500
	-	-	(1,080)	(9,383)
	12,033	107,720	3,121	27,117
	$ 282,517	$2,529,201	$ 218,236	$1,894,926

(1) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of 100% units of Exshare Canadian equities and structured investments replicating the TSE 100 index and TSE 35 Index. The other portion of the portfolio fully replicates the TSE 100.

SCHEDULE A

SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR LONG BOND POOL (a)

December 31, 1999
($thousands)

	1999		1998	
	PLAN'S SHARE	TOTAL POOL	PLAN'S SHARE	TOTAL POOL
Deposit in the Consolidated Cash Investment Trust Fund	$ [illegible]	[illegible]	$ 11,139	$11,139
Public Fixed Income Securities (b):				
Government of Canada direct and guaranteed	[illegible]	[illegible]	170,093	170,093
Other provincial, direct and guaranteed	[illegible]	[illegible]	127,203	127,203
Municipal	[illegible]	[illegible]	13,697	13,697
Corporate	[illegible]	[illegible]	106,725	106,725
Total deposit and fixed income securities	[illegible]	[illegible]	428,857	428,857
Receivable from sale of investments and accrued investment income	[illegible]	[illegible]	4,935	4,935
Liabilities for investment purchases	[illegible]	[illegible]	(9,774)	(9,774)
	[illegible]	[illegible]	(4,839)	(4,839)
	$ [illegible]	[illegible]	$ 424,018	$ 424,018

(a) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.65% per annum (1998: 5.52%) based on market value. The following term structure of these securities as at December 31, 1999 is based on par value.

	1999	1998
		%
0 to 5 years	[illegible]	12
5 to 10 years	[illegible]	4
10 to 20 years	[illegible]	21
over 20 years	[illegible]	63
	[illegible]	100

SCHEDULE B

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

December 31, 1999
($thousands)

	1999		1998	
	PLAN'S SHARE	TOTAL POOL	PLAN'S SHARE	TOTAL POOL
Deposit in the Consolidated Cash Investment Trust Fund	$ 8,402		$ 3,963	$ 34,407
Short-term securities	1,001		1,488	12,924
Floating Rate Note Pool	92,698		67,132	582,896
	100,101		72,583	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	12,298		6,816	59,184
Conglomerates	4,992		4,488	38,966
Consumer products	8,439		9,129	79,267
Financial services	22,237		26,870	233,311
Gold and precious minerals	5,815		6,791	58,961
Industrial products	52,547		24,221	210,306
Merchandising	5,599		4,997	43,386
Metals and minerals	6,100		4,354	37,807
Oil and gas	15,128		11,661	101,252
Paper and forest products	5,366		3,361	29,186
Pipelines	2,331		3,902	33,881
Real estate and construction	3,526		2,910	25,262
Transportation and environmental services	2,545		3,077	26,723
Utilities	23,251		15,682	136,165
	169,913		128,259	1,113,657
Passive index	470		-	-
Domestic Structured Equity Pooled Fund	-		13,975	121,340
	170,383		142,234	1,234,997
United States Public Equities	-		292	2,535
Receivable from sale of investments and accrued investment income	12,033		4,207	36,530
Liabilities for investment purchases	-		(1,080)	(9,383)
	12,033		3,127	27,147
	$ 282,517		$ 218,236	$1,894,906

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

$ 54,599	$ 919,706
70,430	1,018,169
61,181	882,206
14,889	76,055
201,099	2,896,136
102,430	1,518,742
91,084	1,055,108
42,594	466,572
133,678	1,521,680
$ 437,207	$ 5,936,558

$ 97,347
8,418
5,839,208
1,500
(9,915)
$ 5,936,558

SCHEDULE D

SCHEDULE OF INVESTMENT RETURNS

The plan uses the time-weighted rate of return based on market values to measure performance. The time-weighted rate of return is the annual compound rate of return realized by the plan over a specified period and is necessary at the date of inception to meet future benefit payments. Investment returns include cash distributions, interest and dividend payments and capital gains or losses on assets held during the year.

The time-weighted rate of return measures the compounded rate of growth of the initial investment during the specified period. The calculation is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment performance calculations use market rates of return calculated using market values. Data comparing the returns of funds with other benchmarks is also provided.

Investment returns for the plan for the one and five year periods ended December 31, 1999 are as follows:

	One Year Returns					5 Year Compound Annualized Returns
	1999	1998	1997	1996	1995	
Short-term fixed income	**5.1**	5.2	3.6	6.2	11.2	5.6
Scotia Capital Markets 91-Day T-Bill	**4.7**	4.7	3.2	5.0	7.4	5.0
Long-term fixed income	**(2.3)**	8.5	9.2	12.3	20.4	9.4
Scotia Capital Markets Universe Bond	**(1.1)**	9.2	9.6	12.3	20.7	9.9
Canadian equity	**27.3**	(3.5)	14.1	29.8	14.4	15.9
Toronto Stock Exchange 300 Index	**31.7**	(1.5)	15.0	28.4	14.5	13.0
Foreign equity	**30.6**	24.7	15.3	13.0	16.8	19.9
Morgan Stanley MSCI World	**18.1**	33.5	20.9	14.0	17.4	20.6
Real estate*	**n/a**	12.8	20.7	6.4	7.8	9.9
*Russell Canadian Property Index**	**n/a**	16.0**	19.0***	7.0	5.0	8.4
Overall	**15.7**	7.5	12.4	16.1	17.2	13.7
Plan Benchmark Policy Portfolio	**13.3**	9.0***	14.8***	18.0***	16.8***	14.6

* Real estate returns are unaudited. The Fund owns units of the Russell Canadian Property Index, which is a pooled fund.

** Revised in 1999.

*** Restated in 1999.

Schedule C

Schedule of Investments in External Managers Fund (a) (b)

December 31, 1999
($thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi Region	$ 54,589	[illegible]	$ 80,348	$1,069,544
Europe	70,430	[illegible]	67,392	835,531
Pacific Basin	61,181	[illegible]	35,988	457,418
Emerging Markets	14,889	[illegible]	3,539	47,107
	201,089	[illegible]	187,267	2,409,600
United States	102,430	[illegible]	48,097	597,487
Canadian Public Equity Pools				
Large Cap	91,084	[illegible]	76,510	646,679
Small Cap	42,594	[illegible]	39,350	428,952
	133,678	[illegible]	115,860	1,075,631
	$ 437,207	[illegible]	$ 351,224	$ 4,082,718

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 1999.

	1999	1998 ($ thousands)
Cash and short-term securities	$ [illegible]	$ 189,924
Receivables from sale of investments and accrued investment income	[illegible]	18,071
Investments		
Public equities	[illegible]	3,914,560
Convertible bonds	[illegible]	1,173
Liability for investment purchases	[illegible]	(41,010)
	$ [illegible]	$ 4,082,718

Schedule D

Schedule of Investment Returns

Year ended December 31, 1999

The plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns for the plan for the one- and five-year periods ended December 31, 1999 are as follows:

	One Year Return					5 Year Compound Annualized Return
	1999	1998	1997	1996	1995	
Time-weighted rates of return						
Short-term fixed income	[illegible]	5.2	3.6	6.2	7.2	5.6
Scotia Capital Markets 91-Day T-Bill	[illegible]	4.7	3.2	5.0	7.4	5.0
Long-term fixed income	[illegible]	8.5	9.2	12.3	20.4	9.4
Scotia Capital Markets Universe Bond	[illegible]	9.2	9.6	12.3	20.7	9.9
Canadian equity	[illegible]	(3.5)	14.7	29.8	14.4	15.9
Toronto Stock Exchange 300 Index	[illegible]	(1.6)	15.0	28.4	14.5	17.0
Foreign equity	[illegible]	24.7	15.3	13.0	16.8	19.9
Morgan Stanley (MSCI) World	[illegible]	33.5	20.9	14.0	17.4	20.6
Real estate*	[illegible]	12.8	20.7	6.4	7.8	n/a
*Russell Canadian Property Index**	[illegible]	16.0**	19.0**	7.0	5.0	n/a
Overall	[illegible]	**7.5**	**12.4**	**16.1**	**17.2**	**13.7**
SEI median, funds over $1 billion	[illegible]	9.0***	14.8***	18.0***	16.8***	14.6

* Real estate return is reported on a net basis after expenses while the Russell Canadian Property Index reports return on a gross basis.

** Revised in 1999.

*** Restated in 1999.

GLOSSARY

TERMS

Active member
A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

Active Management
These strategies have two forms - security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the TSE 300 for Canadian stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class's weight in the policy asset mix.

Asset Mix
The percentage of a plan's assets allocated to the major asset classes (for example, 40% fixed income and 60% equities).

Benchmark
A standard such as the TSE 300, against which performance is measured. For the purposes of this report, benchmarks are established income indices (listed in percentages) used to measure the health of the Fund's investment returns.

Bond
A promissory note issued by a company or government which bears a fixed maturity date and rate of return.

Deferred Member
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has deferred a right to a pension.

Emerging Market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equity
Stock; the ownership interest in a company.

External manager
A third-party firm contracted to provide investment management services.

Large Cap
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

Passive Management
These strategies involve investing to replicate the performance of a given market index such as the TSE 300 for Canadian stocks.

Policy Benchmark
A return for the Fund which is composed from the long-term asset mix policy and the benchmark indices for each major asset class.

Real Return Bond
A fixed-income investment product (a bond) whose return is linked to the real interest rate to generate a specified real rate of return. *Related terms: The real interest rate is the nominal (set) interest rate minus inflation. The real rate of return is the return achieved by an asset after adjustments for inflation.*

Small Cap
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of less than 0.15% of the total Toronto Stock Exchange market capitalization.

Statement of Investment Policies and Goals
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swaps (Structured Investments)
A contract between two parties to pay the other party the return on an underlying investment.

T-Bill
Short-term government security.

Total Return
Interest income plus price increases or decreases.

Unfunded Liability
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

Glossary

INDICES

Consumer Price Index (CPI)
Measures the relative prices at various times of a selected basket of goods and services.

Morgan Stanley Capital International World Index
Measures the total return attributable to the largest capitalized companies on the world's major stock exchanges. Maintained by Morgan Stanley, the index is compiled and reported monthly in local and common currencies.

Russell Canadian Property Index
Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

Scotia Capital Markets 91-Day T-Bill Index
Measures the total return attributable to 91-Day T-Bills. Maintained by ScotiaMcLeod.

Scotia Capital Markets Universe Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

Scotia Capital Markets Long Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate). by quality (AAA, AA, A, and BBB).

SEI Median Manager
A reference point for measuring performance. SEI Canada Financial Service Limited conducts surveys of balanced fund managers on a quarterly basis to create the SEI Universe. From this, SEI Canada determines the median (or middle-ranked) manager.
Related Terms: SEI (Canada) Financial Services Limited is an independent firm that evaluates and reports on investment performance. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long-term growth.

Standard & Poor's 500 Index
Measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

Toronto Stock Exchange (TSE 300) Index
Measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. Maintained by the Toronto Stock Exchange, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

DIRECTORY - 2000

Board Members

Employee Nominees

Ron Bercov (Chair)
University of Alberta

Daniel Furgason
The University of Lethbridge

Mary Hamilton
Athabasca University and
The Banff Centre

Ted Horbulyk
University of Calgary

Employer Nominees

Auke Elzinga
The University of Lethbridge

Glenn Harris
University of Alberta

Allan Pedden
Athabasca University and
The Banff Centre

Keith Winter (Vice-Chair)
University of Calgary

Crown Nominee

Vacant
Government of Alberta

Contact Board Members at:

Universities Academic Pension Board

3rd Floor, Park Plaza
10611 - 98 Avenue
Edmonton, Alberta T5K 2P7

Phone:	(780) 427-2782
Fax:	(780) 427-1621
In Alberta, toll-free:	1-800-661-8198
e-mail:	uapp.bd@apa.gov.ab.ca
Web site:	www.uapp.apaco.ab.ca

Executive Director

Virendra Gupta

Board Secretary

Jim Millard
Alberta Pensions Administration Corporation

Administrator

Alberta Pensions Administration Corporation

Fund Management

Investment Management Division
Alberta Treasury

Actuary

William M. Mercer Limited

Auditor

Auditor General of Alberta